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**Comptroller of the Currency  
Administrator of National Banks**

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## **PUBLIC DISCLOSURE**

February 9, 1998

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NBC Bank, N.A.  
Charter Number: 4490**

**439 Main Street  
Eagle Pass, Texas 78852**

**Comptroller of the Currency  
1600 Lincoln Plaza  
500 North Akard  
Dallas, Texas 75201-3394**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NBC Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 6, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “**Satisfactory.**”

- The bank’s loan-to-deposit ratio averaged 29% since the previous CRA examination. This is reasonable considering the low income area, high unemployment, and limited lending opportunities available in the assessment area.
- A majority of the bank’s loans, 82% by number and 59% by dollar volume, were made within the assessment area.
- The lending pattern shows an appropriate penetration among individuals of different income levels and businesses of different sizes.
- The bank’s record in reaching geographies of different income levels within the assessment area exceeds the standards for satisfactory performance.
- There have been no consumer complaints regarding the bank’s CRA performance.

The following table indicates the performance level of **NBC Bank, N.A.** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>NBC Bank, N.A. Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different Sizes		X	
Geographic Distribution of Loans	X		
Response to Complaints	No complaints have been received since the previous examination.		

**DESCRIPTION OF INSTITUTION:**

NBC Bank, N.A. (NBC Bank) was established in 1890 and is a \$232 million dollar bank located in Eagle Pass, Texas. It is the largest subsidiary bank of National Bancshares Corporation of Texas, a four-bank holding company based in Laredo, Texas, with \$455 million in consolidated total assets. NBC Bank’s loan portfolio totals \$56 million representing 24% of total assets, and the investment portfolio totals \$153 million representing 66% of total assets. NBC Bank offers a full range of loan products including a “Prestamos Con Pilon” loan program that targets low income borrowers. This program offers unsecured loans up to \$450 dollars with a one year term. If all loan payments are made on time, the bank will forgive the final payment. The following table provides a general breakdown of the loan portfolio as of September 30, 1997.

<b>Loan Portfolio Breakdown As of 9-30-97</b>		
Type of Loan	Amount	% of Portfolio
Commercial & Industrial Loans	7,578	13%
Commercial Real Estate Loans	28,086	50%
1-4 Family Mortgage Loans	12,737	23%
Consumer Loans	7,910	14%
Gross Loans	56,311	100%

The main bank is located in downtown Eagle Pass, Texas, and includes a five-lane drive-up motorbank, a walk in teller lobby, and an automatic teller machine (ATM). NBC Bank opened its first full service branch in December 1995, 1.5 miles east of the main location on Main Street. It also includes a drive-up motorbank, a walk in teller lobby, and an ATM. NBC Bank also has a loan production office in San Antonio, Texas.

The bank acquired a second branch in July 1997 in Marble Falls, Texas. It is also a full service branch with a drive-up motorbank, walk-in teller lobby, and an ATM. No branches were closed since the previous CRA examination.

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. The previous CRA examination is dated February 15, 1996.

## **DESCRIPTION OF MAVERICK COUNTY AND BURNET COUNTY:**

NBC Bank has two assessment areas: 1) Maverick County Texas, and 2) Burnet County Texas. Neither assessment area is located in a Metropolitan Statistical Area (MSA).

### **Maverick County**

NBC Bank and the NBC Bank - East branch are located in Maverick County. Maverick County is located about 150 miles southwest of San Antonio, Texas, on the Texas/Mexico border. The city of Eagle Pass is centrally located within the county directly across the Rio Grande River from Piedras Negras, Mexico. The total population of the county is estimated at 40,000 including the city of Eagle Pass with an estimated 25,000 people. Three smaller towns, several subdivisions, and colonias are also located in Maverick County. The primary industry is agriculture but retail trade with Mexico provides significant business activity.

Maverick County is one of the poorest counties in the State of Texas. The median family income for Maverick County is \$13,928 while the statewide nonmetropolitan median family income for Texas is \$24,586 (1990 U.S. Census). In 1997, the U.S. Department of Housing and Urban Development reported a statewide nonmetropolitan median family income of \$31,500 for the State of Texas. Forty-seven percent of the households in Maverick County are below the poverty level and 23% receive public assistance.

Maverick County contains six block numbering areas (BNA) including three low-income, two moderate-income, and one middle-income BNA. There are no upper-income BNAs located in the county. Forty-six percent of the families are low-income, 21% are moderate-income, 14% are middle-income, and 19% are upper-income families. (Refer to the tables on the following pages.) The local economy remains depressed with very little new business or industry growth during the past two years. Eagle Pass Independent School District remains the largest employer in Maverick County. Border counties typically have a large number of migrant workers that contribute to high unemployment rates. Unemployment rates for Maverick County average 20-30% with the most recent estimate at 24.5%. Recent population increases are attributed to the steady migration of Mexican residents into the county.

Banking competitors include three branches of out of town community banks including a branch of Camino Real Bank, N.A. in San Antonio, a branch of Del Rio National Bank in Del Rio, Texas, and a branch of South Texas National Bank in Laredo, Texas. The latter two are new branches that opened within the past six months.

We conducted two community contacts in Eagle Pass during January 1997. Both contacts indicated that the banks were adequately meeting the community's credit needs. However, one of the contacts indicated that the community still needs more low-income housing.

## **Burnet County**

NBC Bank purchased an existing branch of Wells Fargo Bank in the city of Marble Falls, Burnet County, Texas, in July 1997. The transaction did not include any loans. Because this new branch is only six months old, the bank has had limited opportunities to determine and address the community's credit needs. The total number of loans generated from this branch represents less than 3% of the total number of loans made by NBC Bank since the previous CRA examination. Therefore, our analysis of this assessment area was limited. We will include a more detailed analysis of this assessment area during the next CRA examination.

Burnet County is located about 75 miles north of San Antonio, Texas, in the Texas Hill Country, and includes the communities of Granite Shoals, Horseshoe Bay, Marble Falls, and Meadowlakes. The local economy is growing and is centered around tourism, retirement, recreation, and mining. Area lakes, rivers, and the desirable Texas Hill Country are attracting a growing retirement population.

Based on 1990 U.S. Census information, the population of Marble Falls is 2,396 and the population of Burnet County is approximately 23,000. Major employers include the City of Marble Falls, Marble Falls Independent School District, and Colorado Springs Granite-Texas. Information from the 1990 U.S. Census indicates that 22% of the population is retired, 42% receive social security income, and 23% of the population is more than 65 years old.

The county includes eight BNAs including seven middle-income and one upper-income BNA. There are no low- or moderate-income BNA's in Burnet County. Twenty percent of the families are low-income, 17% are moderate-income, 22% are middle-income, and 41% are upper-income families. The median family income for Burnet County is \$25,788 while the statewide nonmetropolitan median family income for Texas is \$24,586 (1990 U.S. Census). In 1997, the U.S. Department of Housing and Urban Development reported a statewide nonmetropolitan median family income of \$31,500 for the State of Texas.

Community contacts in the Marble Falls area identified additional housing loans, new small business development loans, and city expansion loans as primary credit needs in this growing community. Both contacts felt that local financial institutions could be more proactive to meet the growing credit needs in Marble Falls.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

- **Loan-to-Deposit Ratio**

NBC Bank's loan-to-deposit (LTD) ratio averaged 29% since the previous CRA examination in February 1996. It ranged from a high of 30% in March 1996 to a low of 27% in September 1997. The low in September 1997 was immediately after NBC Bank bought the Marble Falls branch with \$47 million in deposits and no loans. There are no other unit banks in Maverick County. However we analyzed the LTD ratios of 13 National and State banks with total assets less than \$300 million in Maverick, Val Verde, and Webb counties around Eagle Pass, and Burnet and Llano counties around Marble Falls. The LTD ratio for those 13 banks averaged 47% during the same time period ranging from 45% in March 1996 to 50% in September 1997.

NBC Bank's LTD ratio is lower than most other area banks because of the following factors: 1) lending opportunities are limited as commercial loan demand in Maverick County (NBC Bank's primary assessment area) is lower than other area banks in Del Rio, Laredo, and especially the Marble Falls area; 2) Maverick County is an extremely low-income area; and 3) unemployment is consistently high. In addition, the loan demand in Maverick County is primarily for very small consumer loans. The bank continues to adequately address this demand.

Considering these factors, NBC Bank's LTD ratio is reasonable.

- **Lending in the Assessment Area**

A majority of the bank's loans are made within the assessment area. The bank's analysis reveals that 82% of the number of loans made since the previous CRA examination were made within the assessment area. However, only 59% of the dollar volume of loans was made in the assessment area. The difference is due to several large loans made to Mexican Nationals, and large commercial loans generated at NBC Bank's loan production office located in San Antonio, Texas.

Based on our sample of 87 loans including consumer loans, 1-4 family residential loans, small business loans, and agricultural loans, we found that 95% by number and 98% by dollar volume of loans were made within the assessment areas. Our sample did not include any loans to Mexico or any loans generated in San Antonio.

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The lending pattern shows an appropriate penetration among individuals of different income levels and businesses of different sizes. The loan distribution approximates the income characteristics of the assessment area. Please refer to the following tables for specific data. Based on our sample of 87 loans, we found that the bank's internal analysis is substantially accurate.

<b>Loan Distribution by Income Group Based on the Bank's Analysis of New Loans Made in 1996 &amp; 1997</b>										
	<b>Low Income Families</b>		<b>Moderate Income Families</b>		<b>Middle Income Families</b>		<b>Upper Income Families</b>		<b>Total # of Families</b>	
<b>Area Demographic Characteristics</b>	46%		21%		14%		19%		100%	
<b># of Families</b>	3,817		1,742		1,179		1,535		8,272	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	516	25	851	41	410	20	302	14	2079	100
<b>Residential</b>	10	10	34	35	27	28	26	27	97	100
<b>Total</b>	526	24	885	41	437	20	328	15	2176	100

This analysis does not include loans to Mexico or many small "Pilon" loans where income information is not required.

<b>Lending to Businesses of Different Sizes Based on the Bank's Analysis of New Loans Made in 1996 &amp; 1997</b>										
<b>Gross Revenues \$</b>	<b>Less than 100,000</b>		<b>100,000- 250,000</b>		<b>250,000- 1,000,000</b>		<b>More than 1,000,000</b>		<b>Total</b>	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Commercial</b>	387	95	18	4	1	<1	1	<1	407	100
<b>Agricultural</b>	7	100	0	0	0	0	0	0	7	100
<b>Total</b>	394	95	18	4	1	<1	1	<1	414	100

This analysis does not include loans to Mexico.

- **Geographic Distribution of Loans**

The bank's record of lending to geographic areas of different income levels within the assessment area exceeds the standards for satisfactory performance. NBC Bank makes loans to all areas of the Maverick County assessment area. The Burnet County assessment area contains no low- or moderate-income BNAs. Therefore, a geographic analysis of that area would not be meaningful.

<b>Lending in Areas of Different Income Levels within the Assessment Area Based on the Bank's Analysis of New Loans Made in 1996 &amp; 1997</b>										
	<b>Low Income Areas</b>		<b>Moderate Income Areas</b>		<b>Middle Income Areas</b>		<b>Upper Income Areas</b>		<b>Total</b>	
<b>Percent of Total Demographic Areas in AA:</b>	50%		33%		17%		0		100%	
<b>Count:</b>	3		2		1		0		6	
<b>Loan Types</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Consumer</b>	1542	67	476	21	299	13	N/A	N/A	2317	100
<b>Residential</b>	60	65	18	19	15	16	N/A	N/A	93	100
<b>Commercial</b>	123	53	57	25	50	22	N/A	N/A	230	100
<b>Total</b>	1725	65	551	21	364	14	N/A	N/A	2640	100

This analysis does not include loans to Mexico or loans made in the Burnet County assessment area.

- **Responses to Complaints**

The bank has not received any complaints or negative comments from the public since the previous CRA examination regarding their CRA performance. In addition, our review of NBC Bank's fair lending performance found no evidence of disparate treatment or discriminatory practices.